

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

21941

2001 SENATE AGRICULTURE

SB 2194

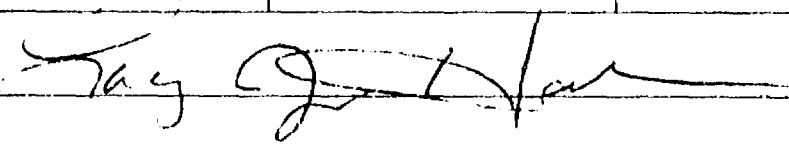
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2194

Senate Agriculture Committee

Conference Committee

Hearing Date January 25, 2001

Tape Number	Side A	Side B	Meter #
2	X		39.0 - End
2		X	0.0 - 20.0
3	X		43.5 - 45.5
Committee Clerk Signature 			

Minutes:

SENATOR KLEIN, introduced the bill.

Allows beginning farmers to purchase livestock and farm equipment.

SENATOR NICHOLS, this is a good change. Reduced interest rate and better payment plans.

SENATOR KROEPLIN, with increasing cost of equipment I hope it will be possible to expand some of the dollars and interest rates to finance young farmers.

REP. D. JOHNSON, the loan program for young farmers for real estate has been successful in North Dakota and excited to see the possibility of extending it to livestock and equipment.

CLAIRE CARLSON, Governors Office, testified in support of this bill.

SENATOR URLACHER, can a farmer rent land and still be eligible for the loan on the livestock and equipment?

CLAIRE CARLSON, the way I read the bill you can.

JEFF KNUDSON, Agriculture Department, Testified in support of this bill. See attached testimony.

WOODY BARTH, ND Credit Review Board, testified in support of this bill.

ROBERT HUMANN, Bank of North Dakota, testified in support of this bill. See attached testimony.

SENATOR ERBELE, the definition of a beginning farmer, can that be someone who has been farming for a year or two and has already purchased livestock and equipment can they roll into this fund or is there a net worth ceiling?

ROBERT HUMANN, we have not identified these parameters for the chattle part of this program, but with the existing real estate beginning farmer program the requirement is that their primary occupation is farming and that they have a net worth of less than \$200,000 and that they have not previously owned more than 30% of the medium farm size in that county. There will have to be some stipulations put in place on what is eligible and who is eligible for the program and who is not.

SENATOR WANZEK, are the parameters set by the bank or by statute?

ROBERT HUMANN, the \$200,00 is the net worth of the borrower, were not identifying a loan maximum at this time. The bank can set the policies on this along with input from the credit review board.

SENATOR WANZEK, what incentive is there for the bank?

ROBERT HUMANN, they will probably pick up an operating loan from someone who they haven't provided financing for before and pick up additional volume. A way to jump start a beginning farmer.

SENATOR KROEPLIN, is there a fee that the bank gets for this, no finders fee or commission?

ROBERT HUMANN, we are currently using a finders fee only for our established farmer program.

SENATOR ERBELE, is there going to be two limits, one for real estate and one for chattel?

ROBERT HUMANN, those detail havn't been worked out yet.

ERIC HARDMEYER, Bank of North Dakota, testified in support of this bill. He explained the Revolving fund.

SENATOR WANZEK, as payment are made they go back into the funds.

ERIC HARDMEYER, as the loans get payed the principle and interest go back into the fund.

SENATOR WANZEK, for purposes of being there for further funding for more loans?

ERIC HARDMEYER, that is correct.

WOODY BARTH, answered questions for the committee. The Credit Review Board only recommends to the ND Industrial Commission policy changes for the Bank of North Dakota. The direct policy changes go through the Industrial Commission. There would be separate parameters and separate lines of credit available for chattel and for real estate.

Hearing was closed.

SENATOR KLEIN moved DO PASS on SB 2194.

SENATOR NICHOLS seconded the motion.

Roll call vote: 6 Yeas, 0 No, 0 Absent and Not voting.

SENATOR KLEIN will carry the bill.

FISCAL NOTE

Requested by Legislative Council
01/15/2001

Bill/Resolution No.: SB 2194

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2015 appropriates \$1,000,000 for the Beginning Farmer Fund. With the changes contemplated to the program under SB 2194, BND does not anticipate the need for a fiscal note.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Eric A Hardmeyer	Agency:	Bank of North Dakota
Phone Number:	328-5674	Date Prepared:	01/18/2001

Date: 1-25-01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2194

Senate _____ Agriculture _____ Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By SEN. KUETH Seconded By SEN. NICHOLS

Senators	Yes	No	Senators	Yes	No
Senator Wanzek - Chairman	✓		Senator Kroeplin	✓	
Senator Erbele - Vice Chairman	✓		Senator Nichols	✓	
Senator Klein	✓				
Senator Urlacher	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment SENATOR KUETH

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 25, 2001 4:05 p.m.

Module No: SR-13-1664
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2194: Agriculture Committee (Sen. Wanzek, Chairman) recommends DO PASS
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2194 was placed on the
Eleventh order on the calendar.

2001 HOUSE AGRICULTURE

SB 2194

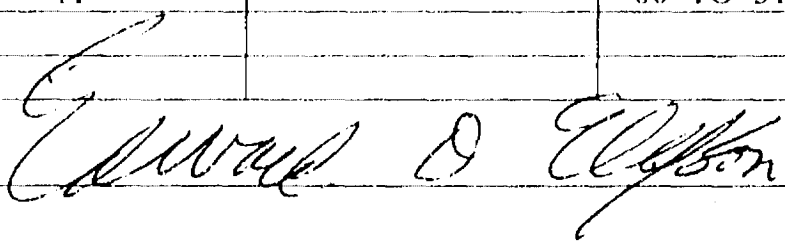
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2194

House Agriculture Committee

Conference Committee

Hearing Date 3--01--01

Tape Number	Side A	Side B	Meter #
THREE	A		00 TO 3163
Committee Clerk Signature 			

Minutes:

1A:00 CHAIRMAN NICHOLAS: Committee Members we will open the hearing on SB 2194.

SEN. KLEIN: SB 2194 is one of those simple Bills. Allows Farmers to have a stepping stone to startup farmers. Allows beginning farmers to participate with the Bank of N.D for equipment and live stock. We feel with the numerous changes facing farmers in Agriculture in general this will give them the stepping stone.. I ask for your consideration on this Bill.

SENATOR NICHOLS: I am appearing in favor of SB 2194. In my work as a part time Agr. Loan officer. I have worked with this program some. The Real estate aspects of it. I feel this is a good proposal to improve capitol purchases. I'd appreciate your support on this Bill.

CHAIRMAN NICHOLAS: Sen. Nichols, as a bank loan officer, do you use this program quite a bit in your banking operations.

Sen. Nichols: Mr Chairman, we have used this some. The part that we have a little problem with ofcourse as being a lender, we have to have security and regard with the beginning farmer loans. There is a need for a father, an uncle or a friend to be a part of this process in a lot of cases because the BANK OF N.D. dose require first mortgage. and requires and will lend up to seventy five percent of appraised value. It depends upon the amount being paid for the reestate and depends on the position that this young farmer is in. We have used it some. We would like to use it more. In some cases we can't.

CHAIRMAN NICHOLAS; If you as a lender what would you do as to make this bill a betterprogram? To make this a perfect program, what would you do?

Sen. Nichols: We need to be secured and ofcourse the BANK OF NORTH DAKOTA DOSE REQUIRE FIRST LIEN and that is sometimes where the problem enters in. If you can purchase land for less then the appraised value or find some help then we are in good shape to put some things together. I don't see that changing.

CHAIRMAN NICHOLAS: Would it help if we raised the equity requirement or lessened it to twenty percent.?

Sen. Nichols: It would help.

Rep. Berg: Mr. Chairman, Sen. Nichols. What exactly dose the change in this Bill do?

Sen. Nichols: Primarily to purchase machinery and livestock. My question is line 8.

The primary change is on line 9 in regard to including equipment and livestock. Being more flexible. Not just restricted to real-estate.

Rep. Lemieux: When I look at the definition of beginning farmers according the ND Century Code would this allow people to participate in the Agr. Community. Say a person working at

the local implement dealership. Would this Bill help them, saying they wanted to get into the hog production. Will this Bill help them more than the old Bill.

Sen. Nichols: This Bill will not change the definition of the Beginning Farmer.

It would help the beginning farmer to purchase real-estate, equipment, and livestock.

There are limits that can be loaned to beginning farmers. \$150,000.00 for real-estate.

Local lender can keep a portion of this.

Rep. Lloyd: The word is loan. I would expect the beginning farmer wanting to lease.

Does the BANK OF NORTH DAKOTA ever go a four or five year lease?

Sen. Nichols: Not that I am aware of. It would have to be pretty well detailed.

CHAIRMAN NICHOLAS: Any other questions.

Who would like to testify in support of 2094 next.

Jeff Knutson: I am here on behalf of Agr. Commissioner Roger Johnson and myself in support of SB 2194. Please see printed testimony. We believe that this is a good Bill and we support the Bill. I am also mentioning that the Credit Review board supports this Bill.

ROBERT "BOB" HUMANN - BANK OF N.D. Please see printed testimony.

CHAIRMAN NICHOLAS: Bob, I have a couple of questions for you. First one is what is the net worth of that beginning farmer for definition of beginning farmer.

Humann: It is \$200,000.00 or less.

CHAIRMAN NICHOLAS: Do you have adequate moneys now. You are not short of money.

Humann: Right now we have adequate funds to last through the biennium. Basically what happens is the million dollars of buy down allows us to do \$10,000,000.00 in loans. Under the beginning farmers program. You actually end up getting ten times the value of the buy down.

Rep Renner: Are these loans direct loans from the Bank OF ND or are they combination.

How dose it work.

JEFF: The plan is to do the reeasted loans as we do presently. Directly with the Bank of ND. It is a direct application. Under state law we can work with farmers on a direct basis. When it come to livestock and equipment we have to through local lender. We prefer to do that because we don't have the staff to around the state to do inspections as to equipment, livestock, etc. We envision that we will continue to do the real-estate loans the way we have. We will make the equipment and livestock loans out of a revolving fund. That will be a participation loan and basically how that will work the loans will be funded at an interest rate of 6 percent out of the buy down funds. We will buy the interest rate down on the wheat lenders share of the loan. We will probably split the loan 50--50, like we do now. We will use buy down to buy the interest rate down to get it to 6% rate so that the beginning farmer has a fixed rate for 5 to 6 years. The question is then where dose that money come from. We have a million dollars of buy down. The plan is that we will use the cash balances that are in the fund right now and if we run short we will go into the AGR buy down fund and will use those funds.

REP. RENNER: Is there a limit as to what the lead bank can charge on interest rates.

HUMMAN: Generally, we do not limit what the lead bank can charge. If we do that discourages them from sending the application because they already know they are going to loose loan volume by not having one hundred percent of the loan. They know that they will have fifty percent of the loan. Generally they will charge a fair market rate if not higher.

Rep. Peitsch: It says you can not have a net worth of more then \$200,000. dollars in order to qualify. How long can one be considered a starting farmer.

